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LINCOLN TOWNSHIP CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2008

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Independent Auditors' Report

November 4, 2008

To the Township Board
Lincoln Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of and for the year ended June 30, 2008, which collectively comprise the Lincoln Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
November 4, 2008

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Lincoln Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The Township's net assets increased by \$204,605 or 19%. Program revenues were \$296,052 or 29% of total revenues, and general revenues were \$737,084 or 71%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lincoln Township financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General, Fire and Police Funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of June 30, 2008 and 2007.

Exhibit A	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 1,044,671	\$ 961,041
Capital assets - net of accumulated depreciation	<u>531,775</u>	<u>354,869</u>
Total assets	<u>1,576,446</u>	<u>1,315,910</u>
Liabilities		
Current liabilities	165,981	224,834
Long-term liabilities	<u>145,527</u>	<u>30,743</u>
Total liabilities	<u>311,508</u>	<u>255,577</u>
Net Assets		
Invested in property and equipment - net of related debt	365,210	354,869
Restricted	499,737	361,638
Unrestricted	<u>399,991</u>	<u>343,826</u>
Total net assets	<u>\$ 1,264,938</u>	<u>\$ 1,060,333</u>

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

This analysis focuses on net assets. The Township's net assets were \$1,264,938 at June 30, 2008. Capital assets totaling \$365,210 compares the original costs, less depreciation of the Township's capital assets.

The \$399,991 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities. Exhibit B below shows a summary of the changes in net assets for the years ended June 30, 2008 and 2007.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Exhibit B	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 296,052	\$ 323,143
General revenue:		
Property taxes	596,259	537,965
State shared revenues	124,146	119,594
Other	<u>16,679</u>	<u>63,121</u>
Total revenue	<u>1,033,136</u>	<u>1,043,823</u>
Function/Program Expenses		
General government	224,749	236,868
Public safety	300,294	268,121
Public works	204,337	190,156
Highways and streets	31,263	353,839
Recreation and culture	56,746	39,160
Planning, zoning and inspector	3,337	16,122
Interest on long-term debt	3,986	6,675
Loss on sale of assets	<u>3,819</u>	<u>3,362</u>
Total expenses	<u>828,531</u>	<u>1,114,303</u>
Change in Net Assets	<u>\$ 204,605</u>	<u>\$ (70,480)</u>

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$828,531. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$596,259 in taxes, \$124,146 in State shared revenues and with our other revenues, such as administration fees, interest and miscellaneous revenues.

The Township experienced a increase in net assets of \$204,605. Key reason for the change in net assets was a decrease in the spending on road improvements. This decreases in expenses was partially offset by an increase in rubbish removal. The change in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$930,471, which is above last year's total of \$769,529. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

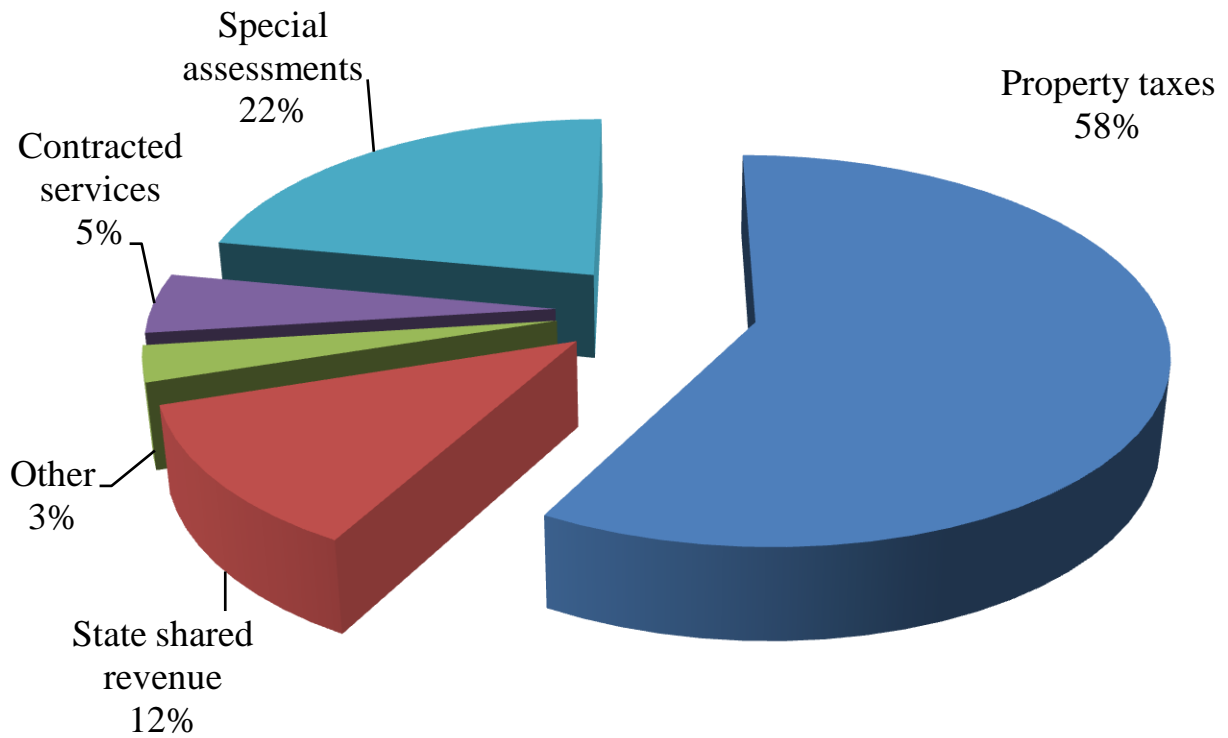
	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Change</u>
General	\$ 633,765	\$ 490,928	\$ 142,837
Special Revenue	<u>296,706</u>	<u>278,601</u>	<u>18,105</u>
Total	<u>\$ 930,471</u>	<u>\$ 769,529</u>	<u>\$ 160,942</u>

- Our General Fund increased \$142,837. The increase is mainly due to a decrease in the road improvements and offset by an increase in rubbish removal expenditures.
- Our Fire Fund increased \$19,332. The increase was due to early pay off of an installment purchase on the Pierce Custom Contender in the prior year offset by the down payment on the Freightliner tanker.
- Our Police Fund decreased \$1,227. The decrease is mainly due to increased operating costs.
- The Liquor Law Fund did not have any significant activity during the fiscal year.

As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.

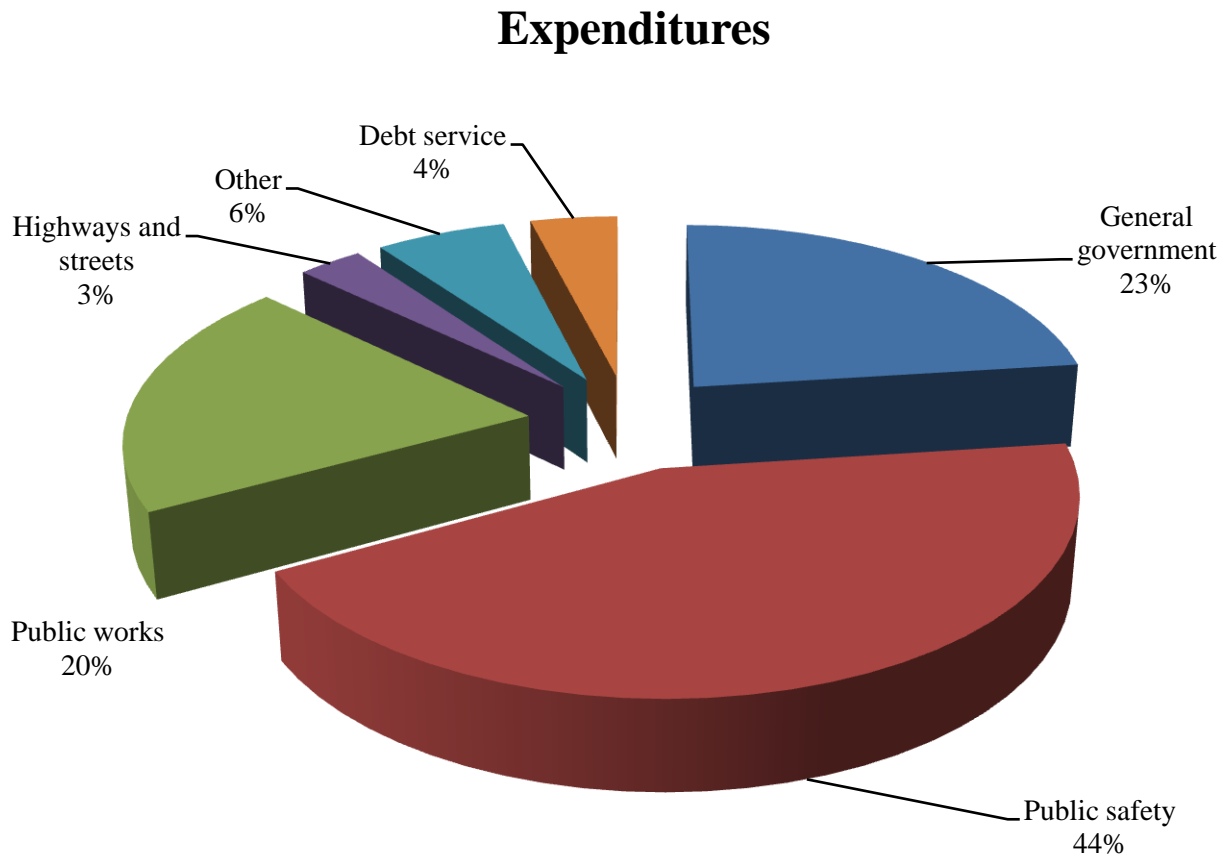
LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Revenues



LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The graph below illustrates, 23% of the Townships' resources are spent on general government expenses such as administrative costs and hall and grounds, including utilities, while 44% is spent on fire and police services. The remaining 33% is spent on other services provided to the residents of the Township as shown below.



LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The chart below compares current year expenditures with prior year.

	<u>2008</u>	<u>2007</u>
<i>Expenditures by Function</i>		
General government	\$ 244,694	\$ 220,068
Public safety	461,074	260,104
Public works	204,337	190,156
Highways and streets	31,263	353,839
Recreation and culture	56,746	39,160
Planning, zoning and inspector	3,337	16,122
Debt service	<u>40,743</u>	<u>155,432</u>
 Total	 <u><u>\$ 1,042,194</u></u>	 <u><u>\$ 1,234,881</u></u>

Expenditures are down \$192,687 or 16% under the prior year mostly due to decreased spending on road repair and maintenance and the early pay-off of the fire vehicle in the prior year. The decreases were offset by the purchase of the Freightliner tanker truck.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budgets to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund budget were as follows.

- There were no changes to the revenue original budget.
- Budgeted expenditures increased \$40,140 due to the purchase of the downtown land and increases in rubbish collections and lake weed control expenditures.
- Actual revenues exceeded budgeted revenue by \$4,532. The difference is primarily due to an increase in special assessments, administrative fees and other revenues.
- Actual expenditures were less than budgeted expenditures by \$221,770. The difference is due to less than expected costs on road repairs and maintenance and lake weed control being less than the budgeted amount.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Capital Assets

At June 30, 2008, the Township had \$531,775 invested in a broad range of capital assets, including land, buildings, furniture and equipment, net of accumulated depreciation. This amount represents a net increase (including additions and disposals) of \$176,906, or 50%, from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 73,718	\$ 35,207
Buildings and building improvements	113,342	113,342
Equipment	190,223	205,424
Vehicles	<u>615,281</u>	<u>414,900</u>
Total capital assets	992,564	768,873
Less accumulated depreciation	<u>460,789</u>	<u>414,004</u>
Net capital assets	<u><u>\$ 531,775</u></u>	<u><u>\$ 354,869</u></u>

This year's net capital additions of \$176,906 included the purchase of a Freightliner tanker, land and a hose tester.

Debt

At the end of this year, the Township had \$194,758 in long-term debt outstanding versus \$59,995 in the previous year. The long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Installment purchase agreements	\$ 164,015	\$ 0
Bonds	<u>30,743</u>	<u>59,995</u>
	<u><u>\$ 194,758</u></u>	<u><u>\$ 59,995</u></u>

The Township's outstanding general obligation debt of \$194,758 is significantly below the statutorily imposed limit.

LINCOLN TOWNSHIP
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Lincoln Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lincoln Township
P.O. Box 239
Lake George, MI 48633

LINCOLN TOWNSHIP
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 973,702
Receivables:	
Accounts	14,234
Special assessments	53,537
Prepaid expenses	2,596
Internal balances	602
Capital assets - net of accumulated depreciation of \$460,789	<u>531,775</u>
Total Assets	<u>1,576,446</u>
<u>Liabilities</u>	
Accounts payable	60,663
Deferred revenue	53,537
Accrued interest	2,550
Noncurrent liabilities:	
Due within one year	49,231
Due in more than one year	<u>145,527</u>
Total Liabilities	<u>311,508</u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	365,210
Restricted for:	
Streets and highways	390,065
Lake weed control	61,414
Rubbish removal	48,258
Unrestricted	<u>399,991</u>
Total Net Assets	<u><u>\$ 1,264,938</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities Net (Expense) Revenue and Change in Net Assets</u>
Governmental activities:			
General government	\$ 224,749	\$ 7,589	\$ (217,160)
Public safety	300,294	56,037	(244,257)
Public works	204,337	200,470	(3,867)
Highways and streets	31,263	27,464	(3,799)
Recreation and culture	56,746	4,492	(52,254)
Planning, zoning and inspector	3,337	0	(3,337)
Interest on long-term debt	3,986	0	(3,986)
Loss on sale of assets	3,819	0	(3,819)
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 828,531	\$ 296,052	(532,479)
	<hr/>	<hr/>	<hr/>
General revenues:			
Property taxes			596,259
Administration fees			9,936
State shared revenues			124,146
Investment earnings			1,711
Miscellaneous			5,032
			<hr/>
Total general revenues			737,084
			<hr/>
Change in net assets			204,605
			<hr/>
Net assets at beginning of year, as previously stated			978,661
			<hr/>
Prior period adjustment			81,672
			<hr/>
Net assets- beginning of year, restated			1,060,333
			<hr/>
Net assets - end of year			\$ 1,264,938
			<hr/>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund (Liquor Fund)	Total
<u>Assets</u>					
Cash and cash equivalents	\$673,755	\$165,820	\$134,127	\$ 0	\$ 973,702
Receivables:					
Accounts	7,708	6,526	0	0	14,234
Special assessments	53,537	0	0	0	53,537
Prepaid expenditures	0	2,596	0	0	2,596
Due from other funds	602	0	0	0	602
Total Assets	<u>\$735,602</u>	<u>\$174,942</u>	<u>\$134,127</u>	<u>\$ 0</u>	<u>\$1,044,671</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 48,300	\$ 2,296	\$ 10,067	\$ 0	\$ 60,663
Deferred revenue	53,537	0	0	0	53,537
Total liabilities	<u>101,837</u>	<u>2,296</u>	<u>10,067</u>	<u>0</u>	<u>114,200</u>
<u>Fund Balance</u>					
Reserved for prepaid expenditures	0	2,596	0	0	2,596
Reserved for streets and highways	390,065	0	0	0	390,065
Reserved for lake weed control	61,414	0	0	0	61,414
Reserved for rubbish removal	48,258	0	0	0	48,258
Unreserved	134,028	170,050	124,060	0	428,138
Total fund balance	<u>633,765</u>	<u>172,646</u>	<u>124,060</u>	<u>0</u>	<u>930,471</u>
Total Liabilities and Fund Balance	<u>\$735,602</u>	<u>\$174,942</u>	<u>\$134,127</u>	<u>\$ 0</u>	<u>\$1,044,671</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds	\$ 930,471
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	992,564
Accumulated depreciation	(460,789)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(30,743)
Installment purchase agreement	(164,015)
Accrued interest payable is not included as a liability in governmental activities	<u>(2,550)</u>
Total net assets - governmental activities	<u><u>\$ 1,264,938</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and
Change in Fund Balance
For the Year Ended June 30, 2008

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund (Liquor Fund)	Total
<u>Revenues</u>					
Property taxes	\$ 348,525	\$ 123,867	\$ 123,867	\$ 0	\$ 596,259
Special assessments	232,426	0	0	0	232,426
Contracted services	0	56,037	0	0	56,037
Administration fees	9,936	0	0	0	9,936
Licenses, fees and permits	6,835	48	0	706	7,589
State shared revenues	124,146	0	0	0	124,146
Interest and rentals	1,711	0	0	0	1,711
Other revenues	5,032	0	0	0	5,032
Total revenues	<u>728,611</u>	<u>179,952</u>	<u>123,867</u>	<u>706</u>	<u>1,033,136</u>
<u>Expenditures</u>					
Current:					
General government	244,694	0	0	0	244,694
Public safety	13,086	322,188	125,800	0	461,074
Public works	204,337	0	0	0	204,337
Highways and streets	31,263	0	0	0	31,263
Recreation and culture	56,746	0	0	0	56,746
Planning, zoning and inspector	3,337	0	0	0	3,337
Debt service:					
Principal	29,252	5,985	0	0	35,237
Interest	3,059	2,447	0	0	5,506
Total expenditures	<u>585,774</u>	<u>330,620</u>	<u>125,800</u>	<u>0</u>	<u>1,042,194</u>
Excess (deficiency) of revenues over expenditures	<u>142,837</u>	<u>(150,668)</u>	<u>(1,933)</u>	<u>706</u>	<u>(9,058)</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from issuance of debt	0	170,000	0	0	170,000
Operating transfers in from other funds	0	0	706	0	706
Operating transfers out to other funds	0	0	0	(706)	(706)
Total other financing sources (uses)	<u>0</u>	<u>170,000</u>	<u>706</u>	<u>(706)</u>	<u>170,000</u>
Net change in fund balance	142,837	19,332	(1,227)	0	160,942
Fund balance - beginning of year	<u>490,928</u>	<u>153,314</u>	<u>125,287</u>	<u>0</u>	<u>769,529</u>
Fund balance - end of year	<u>\$ 633,765</u>	<u>\$ 172,646</u>	<u>\$ 124,060</u>	<u>\$ 0</u>	<u>\$ 930,471</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 160,942
Amounts reported for governmental activities in the statement of activities are different because:	
In the statement of activities, only the loss on the sale or disposal of equipment is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources.	(3,819)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay	241,319
Depreciation expense	(60,594)
Governmental funds report loan proceeds as revenue; in the statement of activities, these funds are not reported as revenue	(170,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of net assets:	
Repayment of bonds	29,252
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	5,985
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	<u>1,520</u>
Change in net assets of governmental activities	<u><u>\$ 204,605</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	\$ 765
	<hr/>
<u>Liabilities</u>	
Due to other funds	\$ 602
Due to other governments	163
	<hr/>
	\$ 765
	<hr/>

See accompanying notes to financial statements

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lincoln Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Lincoln Township.

Reporting Entity

Lincoln Township is governed by an elected five member council (Board). The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include, (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund accounts for Township fire protection service activities.

The Police Fund accounts for activities associated with law enforcement within the Township.

Additionally, the Township reports the following fund.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Liquor enforcement services are accounted for in the Special Revenue Funds as a non major governmental fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles and equipment are being depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Building improvements	15 to 25 Years
Vehicles	5 to 15 Years
Fire equipment	5 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Lincoln Township follows these procedures in establishing the budgetary data reflected in the required supplemental information.

1. The Township's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2008, the Township incurred variances in certain budgetary funds which were in excess of the amounts appropriated as follows.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 – BUDGETS (CONTINUED)

Fund/Function	<u>Total Appropriation</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
Police Fund	\$ 123,309	\$ 125,800	\$ 2,491

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General, Fire and Police Funds are presented as Required Supplemental Information.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalent:	\$ 973,702	\$ 765	\$ 974,467

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2008, \$874,372 of the Township's bank balance of \$976,385 was exposed to custodial credit risk because it was uninsured and uncollateralized.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of June 30, 2008, the Township had no investments.

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 35,207	\$ 38,511	\$ 0	\$ 73,718
Capital assets being depreciated:				
Buildings	51,827	0	0	51,827
Building improvements	61,515	0	0	61,515
Equipment	205,424	2,427	17,628	190,223
Vehicles	414,900	200,381	0	615,281
Subtotal	733,666	202,808	17,628	918,846
Less accumulated depreciation for:				
Buildings	38,598	0	0	38,598
Building improvements	25,908	4,066	0	29,974
Equipment	120,465	35,081	13,809	141,737
Vehicles	229,033	21,447	0	250,480
Subtotal	414,004	60,594	13,809	460,789
Net capital assets being depreciated	319,662	142,214	(3,819)	458,057
Governmental Activities, Total				
Capital Assets - Net of Depreciation	\$ 354,869	\$ 180,725	\$ (3,819)	\$ 531,775

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:

General government	\$ 18,566
Public safety	<u>42,028</u>
Total Governmental Activities	<u>\$ 60,594</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

A summary of inter-fund receivable and payable balances at June 30, 2008, is shown below. There were no transfers during the year.

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 602	\$ 0	\$ 0	\$ 0
Police Fund	0	0	706	0
Liquor Law Fund	0	0	0	706
Tax Fund	<u>0</u>	<u>602</u>	<u>0</u>	<u>0</u>
	<u>\$ 602</u>	<u>\$ 602</u>	<u>\$ 706</u>	<u>\$ 706</u>

The primary purpose of the receivables/payables is to reflect amounts due from the tax fund that were not distributed to the funds as of June 30, 2008.

Transfers are used to supplement liquor law enforcement costs.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 6 – LONG-TERM DEBT

Long-term debt obligation activity can be summarized as follows:

	Balance July 1, 2007	Additions	Retirements and Adjustments	Balance June 30, 2008	Amount Due Within One Year
Installment purchase agreement	\$ 0	\$ 170,000	\$ 5,985	\$ 164,015	\$ 18,488
Bonds	<u>59,995</u>	<u>0</u>	<u>29,252</u>	<u>30,743</u>	<u>30,743</u>
	<u>\$ 59,995</u>	<u>\$ 170,000</u>	<u>\$ 35,237</u>	<u>\$ 194,758</u>	<u>\$ 49,231</u>

Lincoln Township entered into an installment purchase agreement on February 18, 2008, in the amount of \$170,000 at an interest rate of 4.375% for eight years. The installment purchase agreement was used to purchase 2008 Freightliner tanker.

Bonds payable at June 30, 2008 is comprised of the following issues:

\$248,292 Special Assessment Bonds for Forest, Bungo and Ojibway Road improvements due in annual installments of \$19,648 to \$30,743 through August 31, 2008; interest at 5.1%	<u>\$ 30,743</u>
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LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligation are as follows.

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 49,231	\$ 8,376	\$ 57,607
2010	19,313	5,983	25,296
2011	20,176	5,120	25,296
2012	21,076	4,220	25,296
2013	22,017	3,279	25,296
2014-2016	<u>62,945</u>	<u>3,819</u>	<u>66,764</u>
Total	<u>\$ 194,758</u>	<u>\$ 30,797</u>	<u>\$ 225,555</u>

NOTE 7 - RISK MANAGEMENT

Lincoln Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Lincoln Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Lincoln Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

LINCOLN TOWNSHIP
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 - RISK MANAGEMENT (CONTINUED)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 8 - PENSION PLAN

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$147,063. The current year contribution was calculated based on covered payroll of \$131,915, resulting in an employer contribution of \$22,160.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The net assets of Lincoln Township at July 1, 2007, have been increased by \$81,672.

Adjustment to the outstanding debt balance of the of Special Assessment Bonds for Forest, Bungo and Ojibway Road improvement projects resulted in a reduction in the balance of \$81,672

NOTE 10 – RELATED PARTIES

The Township has purchased repairs & maintenance supplies and services for laundry cleaning during the year from a business whose owner is also a member of the Township Board in the amount of \$807.

LINCOLN TOWNSHIP
Required Supplemental Information
Budgetary Comparison Schedule - Major Governmental Funds
For the Year Ended June 30, 2008

	General Fund		
	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Property taxes	\$ 351,855	\$ 351,855	\$ 348,525
Special assessments	230,200	230,200	232,426
Contracted services	0	0	0
Administration fees	8,600	8,600	9,936
Licenses, fees and permits	6,000	6,000	6,835
State shared revenues	124,154	124,154	124,146
Interest and rentals	2,200	2,200	1,711
Other revenues	1,070	1,070	5,032
Total revenues	<u>724,079</u>	<u>724,079</u>	<u>728,611</u>
<u>Expenditures</u>			
Current:			
General government	225,403	273,285	244,694
Public safety	15,168	15,333	13,086
Public works	204,850	216,804	204,337
Highways and steets	220,001	220,121	31,263
Recreation and culture	65,681	78,011	56,746
Planning, zoning and inspector	3,990	3,990	3,337
Debt service	32,311	32,311	32,311
Total expenditures	<u>767,404</u>	<u>807,544</u>	<u>585,774</u>
Excess (deficiency) of revenues over expenditures	<u>(43,325)</u>	<u>(83,465)</u>	<u>142,837</u>
<u>Other Financing Sources</u>			
Proceeds from issuance of debt	0	0	0
Operating transfers in from other funds	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	(43,325)	(83,465)	142,837
Fund balance - beginning of year	<u>490,928</u>	<u>490,928</u>	<u>490,928</u>
Fund balance - end of year	<u>\$ 447,603</u>	<u>\$ 407,463</u>	<u>\$ 633,765</u>

Fire Fund			Police Fund		
Original Budget	Final Amended Budget	Actual	Original Budget	Final Amended Budget	Actual
\$ 125,000	\$ 125,000	\$ 123,867	\$ 124,000	\$ 124,000	\$ 123,867
0	0	0	0	0	0
49,000	49,000	56,037	0	0	0
0	0	0	0	0	0
50	50	48	0	0	0
0	0	0	0	0	0
50	50	0	50	50	0
0	0	0	0	0	0
<u>174,100</u>	<u>174,100</u>	<u>179,952</u>	<u>124,050</u>	<u>124,050</u>	<u>123,867</u>
0	0	0	0	0	0
172,100	327,286	322,188	119,550	123,309	125,800
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
26,000	26,000	8,432	0	0	0
<u>198,100</u>	<u>353,286</u>	<u>330,620</u>	<u>119,550</u>	<u>123,309</u>	<u>125,800</u>
<u>(24,000)</u>	<u>(179,186)</u>	<u>(150,668)</u>	<u>4,500</u>	<u>741</u>	<u>(1,933)</u>
169,885	0	170,000	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>896</u>	<u>896</u>	<u>706</u>
<u>169,885</u>	<u>0</u>	<u>170,000</u>	<u>896</u>	<u>896</u>	<u>706</u>
145,885	(179,186)	19,332	5,396	1,637	(1,227)
<u>153,314</u>	<u>153,314</u>	<u>153,314</u>	<u>125,287</u>	<u>125,287</u>	<u>125,287</u>
<u>\$ 129,314</u>	<u>\$ (25,872)</u>	<u>\$ 172,646</u>	<u>\$ 129,787</u>	<u>\$ 126,028</u>	<u>\$ 124,060</u>



WEINLANDER FITZHUGH

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ROBERT J. DUYCK, CPA

November 4, 2008

To the Township Board
Lincoln Township
Clare County, Michigan

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Lincoln Township for the year ended June 30, 2008, and have issued our report thereon dated November 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 31, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on March 31, 2008.

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WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
November 4, 2008
Page 2

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lincoln Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
November 4, 2008
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
November 4, 2008
Page 4

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

LINCOLN TOWNSHIP
Summarized Schedule of Uncorrected Misstatements
June 30, 2008

All Funds	Effect - Increase (Decrease)	
	Excess of Revenue	
	Over (Under)	Fund
	Expenditures	Balance
<u>Carryover impact from previous years</u>		
Known errors:		
Understatement of cash and cash equivalent balance	\$ (5,822)	\$ 0
<u>Current year misstatements:</u>		
Known errors:		
Understatement of cash and cash equivalent balance	(5,692)	(5,692)
Net effect on current year	<u>\$ (5,692)</u>	<u>\$ (5,692)</u>



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November 4, 2008

To the Township Board
Lincoln Township
Clare County, Michigan

In connection with our audit of the financial statements of Lincoln Township (Township) as of and for the year ended June 30, 2008, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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WEINLANDER FITZHUGH

To the Township Board
Lincoln Township
November 4, 2008
Page 2

We have separately communicated, to you and the Township Board, identified deficiencies that we determined to be material weaknesses. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Segregation of Duties

This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance.

As is common in many small local government units, there is often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area.

The Township has a lack of complete separation of duties with respect to cash collections. The collection of cash, writing of receipts and depositing of collections is centralized around one individual.

The Township has implemented compensating controls for property tax revenue through the county settlement process and state revenue sharing through the Michigan Department of Treasury, the remaining revenues collected generally have insufficient checks and balances in place.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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November 4, 2008

To the Township Board
Lincoln Township
Clare County, Michigan

In planning and performing our audit of the financial statements of Lincoln Township (Township) as of and for the year ended June 30, 2008, in accordance with U.S. generally accepted auditing standards. We considered Lincoln Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Financial Reporting

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Lincoln Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor involvement.

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor involvement.

Property Tax Disbursements

Public Act 211, of 1979 mandates that governmental units with a taxable value greater than \$15,000,000 must remit to the schools and the county total taxes collected through the 1st and the 15th day of each month within ten business days after the 1st and 15th each month. It appears that disbursements are made timely throughout the year.



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However, it was noted that the Township made only three tax transfers during the winter 2007 tax collection period to the various Township funds for the their share of property tax revenue. We recommend that amounts be disbursed in a timely manner upon receipt regardless of the entity to which they are being disbursed.

Property Tax Receipts

During property tax receipt testing, it was noted that deposits were regularly being made several days after the taxes were collected. Deposits should be made at least weekly and more frequently when the amounts collected are significant in amount.

Monthly Reconciliations

The Treasurer is required keep track of the total cash and cash equivalents allocable to each fund and is required reconcile these amounts to each month's bank statements. A listing of all cash and cash equivalents, along with a copy of the bank reconciliations, is to be provided to the clerk each month. The Clerk in turn is to reconcile the cash and cash equivalents recorded in the general ledger to either the Treasurer's reconciliation or to the bank statements directly.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh